

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-08

FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 /132 W

-----301146Z 049530 /11

R 300759Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7777

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY TOKYO

AMEMBASSY SINGAPORE

USMISSION EC BRUSSELS

USDEL GENEVA

CINCPAC

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CINCPAC FOR POLAD

E. O. 11652: NA

TAGS: ENRG, ASEAN, RP

SUBJECT: ASCOPE ECONOMIC WORKING COMMITTEE DECIDES ON EMERGENCY OIL SHARING PLAN

SUMMARY: THE ASCOPE ECONOMIC WORKING COMMITTEE MET IN MANILA MARCH 23 TO 25 AND DECIDED ON AN AGREEMENT ON EMERGENCY OIL SHARING. THE AGREEMENT HAS TO BE FINALLY APPROVED AT THE ASCOPE COUNCIL MEETING IN MANILA IN OCTOBER 1977. THE AGREEMENT REFLECTS A "SPIRIT OF MUTUAL LIMITED OFFICIAL USE

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ASSISTANCE", BUT AS DESCRIBED BY PHILIPPINE DELEGATES, APPEARS TO LACK REAL SUBSTANCE OR SACRIFICIAL SHARING. ACCORDING TO THE PHILIPPINE DELEGATES, THE MINDANAO SITUATION WAS NOT BROUGHT UP BY THE OTHER DELEGATIONS IN THE CONTEXT OF WHAT WOULD CONSTITUTE A "CRITICAL CIRCUMSTANCE" THAT WOULD KEY AN OIL SHARING RESPONSE UNDER THE AGREEMENT. END SUMMARY.

1. THE ECONOMIC COMMITTEE OF THE ASEAN COMMITTEE ON PETROLEUM (ASCOPE) MET IN MANILA MARCH 23 TO 25 AND REACHED FULL AGREEMENT ON A METHOD OF IMPLEMENTATION FOR THE EMERGENCY OIL SHARING SCHEME THAT WAS AGREED TO IN PRINCIPLE BY THE ASCOPE COUNCIL IN OCTOBER 1976. THE AGREEMENT WILL BE REVIEWED BY THE NATIONAL COMMITTEES OF ASCOPE WHICH WILL MEET TOGETHER IN JAKARTA IN JUNE, AND IT IS EXPECTED TO BE FINALLY APPROVED WITHOUT SIGNIFICANT CHANGES BY THE NEXT ASCOPE COUNCIL MEETING IN MANILA IN OCTOBER 1977. THE ASCOPE TECHNICAL AND LEGAL COMMITTEES ALSO MET AND DEVELOPED FURTHER WORKING PAPERS THAT WILL BE DISCUSSED AT THE ABOVE MEETINGS.

3. JOSE P. LEVISTE, CHAIRMAN OF THE PHILIPPINES NATIONAL COMMITTEE FOR ASCOPE, AND ANTONIO ANCIANO, THE PHILIPPINES CHIEF NEGOTIATING MEMBER OF THE ECONOMIC COMMITTEE, BRIEFED EMBOFF MARCH 29 ON DETAILS OF THE OIL SHARING AGREEMENT. THE ASCOPE MEETING WAS CHARACTERIZED AS CORDIAL AND CONSTRUCTIVE AND AS REFLECTING THE "SPIRIT OF MUTUAL ASSISTANCE" ACHIEVED AT THE COUNCIL MEETING IN OCTOBER 1976.

4. THE KEY ISSUES IN THE OIL SHARING AGREEMENT AS IT NOW STANDS INCLUDE:

1) BOTH SHORTAGE AND SURPLUS SITUATIONS ARE INCLUDED. ANCIANO NOTED HOWEVER THAT THE SURPLUS SITUATION WAS LIMITED OFFICIAL USE

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NOT DISCUSSED IN THE SAME DEPTH AS SHORTAGE, AND RELIEF TO BE OFFERED WAS NOT DEFINED IN THE SAME LEGALISTIC TERMS.

2) A "UNILATERAL DECLARATION OF DISTRESS" ON THE PART OF ANY MEMBER WILL KEY THE RELIEF MECHANISM. THE ASCOPE COUNCIL IS TO MEET IMMEDIATELY TO DECIDE THE MAGNITUDE OF THE EMERGENCY AND DEFINE RELIEF WITHIN THE BROAD GUIDELINES SET DOWN BY THE ECONOMIC WORKING GROUP.

3) THE GUIDELINES FOCUS ON A SHORTAGE SITUATION AND INCLUDE AN "AUTOMATIC PROVISION" WHEREBY A CERTAIN PROPORTION OF THE NEEDS OF A SHORT COUNTRY WILL BE SUPPLIED AUTOMATICALLY (READ: BY INDONESIA) AND THE REST WILL BE NEGOTIATED BILATERALLY. ANCIANO NOTES THAT THE PROPORTION IS "SUFFICIENT TO KEEP THE PHILIPPINES ALIVE".

4) WHILE THERE IS NO SPECIFIC FORMULA ON HOW MUCH RELIEF A SUPPLYING PARTY (READ INDONESIA) MUST GIVE, THERE IS A "GENERAL UNDERSTANDING" IN THE GUIDELINES THAT THE PRODUCTION COMMITTED TO ASSIST ASEAN NEIGHBORS WILL EXCLUDE DOMESTIC CONSUMPTION AND "COMMITTED EXPORTS". INDEED, "VALID CONTRACTUAL COMMITMENTS" WILL LIMIT THE RELIEF MEMBERS MUST OFFER IN EITHER SURPLUSOR SHORTAGE "CRITICAL CIRCUMSTANCES".

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R 300759Z MAR 77  
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5) RELIEF WILL BE VIA GOVERNMENT TO GOVERNMENT CONTRACTS AND PRICE IS TO BE NEGOTIATED BILATERALLY AT THE TIME RELIEF IS SOUGHT. THE AGREEMENT DOES NOT INCLUDE ANY MENTION OF PREFERENCE ON PRICE, AND THE PREFERENTIAL TRADE AGREEMENTS BEING DISCUSSED IN OTHER ASEAN FORUMS DID NOT ARISE IN THIS ASCOPE CONXT. FYI. FROM THE ABOVE WE CONCLUDE THERE IS

MORE GOOD WILL THAN SUBSTANCE IN THIS ASEAN EMERGENCY  
OIL SHARING AGREEMENT. END FYI.

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5. THE "CRITICAL CIRCUMSTANCES" UNDER WHICH A MEMBER MAY DECLARE A "UNILATERAL OF DISTRESS" ARE DEFINED IN THE DECLARATION OF ASEAN ACCORD GENERATED BY THE OCTOBER 76 COUNCIL MEETING. THEY COVER BOTH NATURAL AND MAN MADE DIASTERS, INCLUDING POLITICAL EMBARGOS. ANCIANO STATES THAT "APPARELNTLY FOR REASONS OF PROBITY", DISCUSSION OF ARAB OIL EMBARGO OF THE PHILIPPINES STEMMING FROM A BREAKDOWN IN THE MINDANAO SETTLEMENT DID NOT COME UP DURING THE ASCOPE MEETINGS. AND MORE SPECIFICALLY, INDONESIA AND MALAYSIA DID NOT MAKE ANY EFFORT TO EXCLUDE SUCH AN EVENTUALITY AS A CAUSE FOR A "UNILATERAL DECLARATION OF DISTRESS". THE PHILIPPINES IS PROCEEDING FROM THE PRESUMPTION THAT THE AGREEMENT WILL APPLY IN ALL CASES. WITHOUT PROJECTING AN MNLF INSPIRED BOYCOTT, ANCIANO NOTED, HOWEVER, THAT THEY WOULD HAVE TO AWAIT ACTUAL CIRCUMSTANCES TO SEE WHICH BOND IS CLOSER, ASEAN OR MUSLIM SOLIDARITY.

6. AMEMBASSY MANILA LOOKS FORWARD TO LEARNING FROM INFO ADDRESSEES HOW OTHER ASEAN DELEGATIONS INTERPRET THESE MEETINGS AND PROPOSED AGREEMENT ON EMERGENCY OIL-SHARING. THE FILIPINO DELEGATES SAID THEY WERE THE ONLY ONES CONCERNED WITH "OPTIMIZING THEIR POSITION" IN THE NEGOTIATIONS.  
SULLIVAN

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